Major Issues Facing the USDA Forest Service

The USDA Forest Service faced and met many challenges in fiscal year (FY) 2002. The extreme fire season impacted nearly all programs within the agency, as approximately $1 billion was transferred from other agency programs to support firefighting efforts. Healthier forests would greatly reduce the potential for catastrophic fires; as a result, fire suppression costs should, on average, decrease dramatically. The President highlighted the need to return our Nation's forests and grasslands to a healthy condition, including the need to address not only the hazardous fuels situation, but also the threat from noxious weeds and other invasive species, the need to protect and improve the country's watersheds, and the need to address the economic impacts of changes in land management policies and practices. Major challenges the USDA Forest Service faces include efforts to:

- Continue implementation of the 10-Year Comprehensive Strategy of the National Fire Plan (NFP) to reduce wildland fire risks to communities and the environment;
- Implement the Healthy Forests Initiative to improve the condition of the Nation's forests and grasslands;
- Address the "Process Predicament" to improve the timeliness and effectiveness of agency decisionmaking;
- Address the increasing threat of insects, disease, and noxious weeds—including those classified as invasive species—to the integrity and viability of forest and rangeland ecosystems;
- Restore and manage watersheds;
- Address the impacts that result from transferring funds to fight fires in FY 2002; and
- Continue improvement of the agency's financial and performance accountability and attain an unqualified audit opinion from the USDA Office of Inspector General (OIG) related to the USDA Forest Service's annual financial statements.

Community and Land Protection/ National Fire Plan

The incredibly disastrous fire seasons of FY 2000 and FY 2002 have vividly illustrated the negative impacts hazardous fuels buildup in forested areas can have on watersheds and biological resources, especially in the wildland-urban interface. Catastrophic fires in the first half of the 1900s caused the Nation to adopt a policy of fire prevention and suppression. Ironically, firefighters became so effective at suppressing fires that small trees and brush increased to dangerously high fuel levels. The severe fire season of FY 2000 led to the adoption of the NFP in an effort to protect life and property and minimize losses of natural resources. As evidenced by the enormous fires in the West during the summer of 2002, although much fuel reduction work has been done since the NFP was developed, it will take many years to restore the Nation's forests to a healthy and fire-safe condition.

The NFP implements an ambitious program of work while preparing the longer-term foundation to reduce fire risk and restore healthy, fire-adapted ecosystems on the Nation's forests and rangelands. The key points of the NFP are to:

- Continue to make all necessary firefighting resources available,
- Restore damaged landscapes and rebuild communities,
- Invest in projects to reduce fire risk,
- Work directly with local communities, and
- Be accountable.

The 10-Year Comprehensive Strategy and Implementation Plan were developed cooperatively among Federal, State, tribal, and local governments; local community groups; and other interested parties to address the multitude of issues related to wildland fires. Many activities and efforts took place in FY 2002 in support of the goals and objectives embraced by the NFP. In April, the Interagency Wildland Fire Leadership Council was established to achieve consistent implementation of the goals, actions, and policies of the NFP and the Federal Wildland Fire Management Policy. In May, the *10-Year Comprehensive Strategy Implementation Plan* was signed by the Secretaries of Agriculture and the Interior and 17 State governors, in furtherance of the 10-Year Comprehensive Strategy. In August, President George W. Bush announced the Healthy Forests Initiative that, in part, supports several of the actions addressed by the 10-Year Comprehensive Strategy and Implementation Plan. In the area of NFP research support, the Joint Fire Science Program (created in 1998 by the USDA Forest Service and the Department of the Interior) provides support in hazardous fuels management; the USDA Forest Service Research and Development (R&D) deputy area conducts research projects addressing NFP goals.

Many management practices, such as thinning, timber stand improvement, and prescribed burning, can be systematically blended to meet site-specific forest needs. To achieve these desired outcomes, the USDA Forest Service and the Department of the Interior work with communities to reduce hazardous fuels buildups, restore forested ecosystems impacted by catastrophic fire, and equip those communities and homeowners with the tools necessary to reduce wildland fire risks. Aid is provided through State, volunteer, and rural fire assistance programs, as well as Economic Action Programs.

While these efforts will help reduce threats to communities at risk, large wildland fires will not be eliminated. Long-term and comprehensive programs in fire prevention, fire suppression, and fuel treatments involving other Federal agencies, States, tribes, and communities will be necessary before the current fire environment is changed to one that is less destructive and costly. To this end, the USDA Forest Service is currently working on improvements to wildland fire planning systems, focusing fuel treatment in areas where communities are at risk; working with other Federal and State agencies to plan interagency landscape-level fuel treatment programs; and expanding fire prevention programs.

Healthy Forests Initiative

In August 2002, President George W. Bush initiated the Healthy Forests Initiative to address a variety of impediments to returning the Nation’s forests to healthy conditions. The need for healthier forests is essential. Catastrophic damage to forests through wildland fires severely impacts plants, animals, and fisheries, and can lead to diminished soil productivity and erosion. Unhealthy forests are less able to withstand infestations of invasive species. Detrimental economic consequences to local communities dependent on natural resources often result from a loss of revenue from less tourism and reduced opportunities for the local wood products and ranching industries, as well as the service industries that support them. In addition, damaged watersheds result in a variety of economic costs to communities.

The Healthy Forests Initiative focuses on three main areas:

1. Significantly step up efforts to prevent the damage caused by catastrophic wildfires by reducing unnecessary regulatory obstacles that hinder active forest management;

2. Expedite procedures for forest thinning and restoration projects; and
3. Ensure sustainable forest management and appropriate timber production of the 1994 Northwest Forest Plan are being achieved.

Regulatory actions, whether legislative, judicial, or agency-imposed, have, in some instances, delayed the implementation of forest management practices or hindered rapid response to emergency situations. One goal of the Healthy Forests Initiative is to seek solutions to processes, procedures, and situations that hinder our ability to manage the Nation's natural resources.

Treatment of hazardous fuels is a major step in returning our Nation's forests to a healthy condition. This issue is a major component of the NFP through the 10-Year Comprehensive Strategy and Implementation Plan. By finding ways to expedite forest thinning and restoration projects, the Healthy Forests Initiative will provide support to this element of the NFP.

In the Northwest, ecomonic and environmental issues were addressed in the 1994 Northwest Forest Plan. Due to a variety of factors, the intent of the plan has not been fully addressed. Efforts will once again be concentrated on fulfilling the intent of the plan, resulting in healthier, more productive forests, as well as providing economic stimulus to local communities.

A more complete description of the Healthy Forests Initiative is located on the Internet at www.whitehouse.gov/infocus/healthyforests/toc.html.

Process Predicament

The USDA Forest Service is an agency of dedicated, hard-working employees who are committed to wise natural resource management. The agency strives to manage the lands and resources for which it is responsible to meet the requirements and desires of the American public. Unfortunately, requirements often impede the agency from effectively addressing rapid declines in forest health. The requirements also hinder the agency's ability in other aspects of multiple-use management. Three problem areas stand out:

1. *Excessive analysis*—confusion, delays, costs, and risk management associated with the required consultations and studies;
2. *Ineffective public involvement*—procedural requirements that create disincentives to collaboration in national forest management; and
3. *Management inefficiencies*—a deteriorating skills base and inflexible funding rules have helped to create problems that are compounded by the sheer volume of the required paperwork and the associated proliferation of opportunities to misinterpret or misapply required procedures.

These problems frequently place line officers in a costly procedural quagmire, where a single project can take years to move forward and where planning costs alone can exceed $1 million. Even noncontroversial projects often proceed very slowly. The time it takes to complete many projects was addressed as part of President Bush's Healthy Forests Initiative.

The agency estimates that planning and assessment consume 40 percent of total direct work at the national forest level. Although some planning is obviously necessary, USDA Forest Service officials have estimated that improving administrative procedures could shift up to

$100 million a year from unnecessary planning to actual project work to restore ecosystems and deliver services on the ground.

The USDA Forest Service is deeply committed to the principles of sound public land management in a democracy—long-term planning on an ecosystem basis, extensive public involvement, interagency consultation and collaboration, and ample opportunities for public redress. The USDA Forest Service has the tools and techniques to stop invasive species, reduce the danger of catastrophic fire, and restore ailing watersheds to health. Permitted to use the tools and apply the techniques of modern management, the USDA Forest Service can ensure healthy, resilient ecosystems across national forests and grasslands for all Americans.

It is time to tailor the USDA Forest Service's statutory, regulatory, and administrative framework to the new era of public land management. Part of the solution will be internal. The problem goes far beyond the range of control of any single agency or single branch of the government, however. The USDA Forest Service will need to work with partners, both in and out of government, to establish a modern management framework. By working together with partners to create and operate within such a framework, the USDA Forest Service can focus more of its resources on responsible stewardship and thereby improve public trust and confidence in the agency's ability to care for the land and serve people.

Invasive Species

The USDA Forest Service is committed to diminishing the rate of introduction and infestation of invasive species on forests and grasslands. Invasive species, including animals, insects, plants, and associated pathogens, are a significant threat to the integrity and viability of forest and rangeland ecosystems. They contribute to tree mortality and high-intensity wildland fires, causing billions of dollars in damage annually. Invasive species put many resources at risk, including wilderness, wildlife, forage, visual quality, reforestation, recreation opportunities, as well as other factors such as land values and farming. For example, millions of forested acres are at risk along the leading edge of a gypsy moth front. In Oregon and California, more than 25,000 acres of Port-Orford-cedar root disease have been identified on Federal lands. On the 192 million acres of National Forest System (NFS) lands, approximately 4 million acres of noxious native and nonnative weeds have been identified.

The USDA Forest Service invasive species program is a coordinated effort implemented through International Programs and three deputy areas—State and Private Forestry (S&PF), R&D, and NFS. The goal of the program is to reduce adverse social, economic, and ecological impacts of key invasive pests, insects, plants, and pathogens threatening forest, rangeland, wildland, and urban ecosystems in the United States. In part, this goal is being reached by emphasizing partnerships, operations, and research and development activities that prevent, monitor, and control invasive species, and restore impacted ecosystems.

To date, USDA Forest Service efforts have focused almost exclusively on insects, plant pathogens, and terrestrial noxious weeds, such as fire ants, gypsy moths, zebra mussels, Asian long-horned beetle, Sudden Oak Death disease, purple loosestrife, and yellow star thistle. The frequent introduction of invasives, however, requires immediate focus on other species as well, including aquatic weeds, nonnative fish, cogon grass that alters habitat of gopher tortoises, species that directly impact migratory songbird habitat, and species that displace valued native animals and plants. One example of the latter is the bullfrog that is invading the

habitat of the Oregon spotted frog. Prevention efforts also need to be increased, such as preventing the spread of weed seed along travel corridors and in the back country.
The long-term strategy of the USDA Forest Service invasive species program includes the use of extensive partnerships with international government organizations, other Federal agencies, State and local governments, nonprofit organizations, and private landowners. In conjunction with these entities, the USDA Forest Service will work to prevent the introduction of invasive species, eradicate new infestations, manage populations of established invasives, and restore impacted ecosystems. To effectively address invasive species problems, however, it takes appropriate resources and a strong collaboration with our partners.

Watershed Restoration

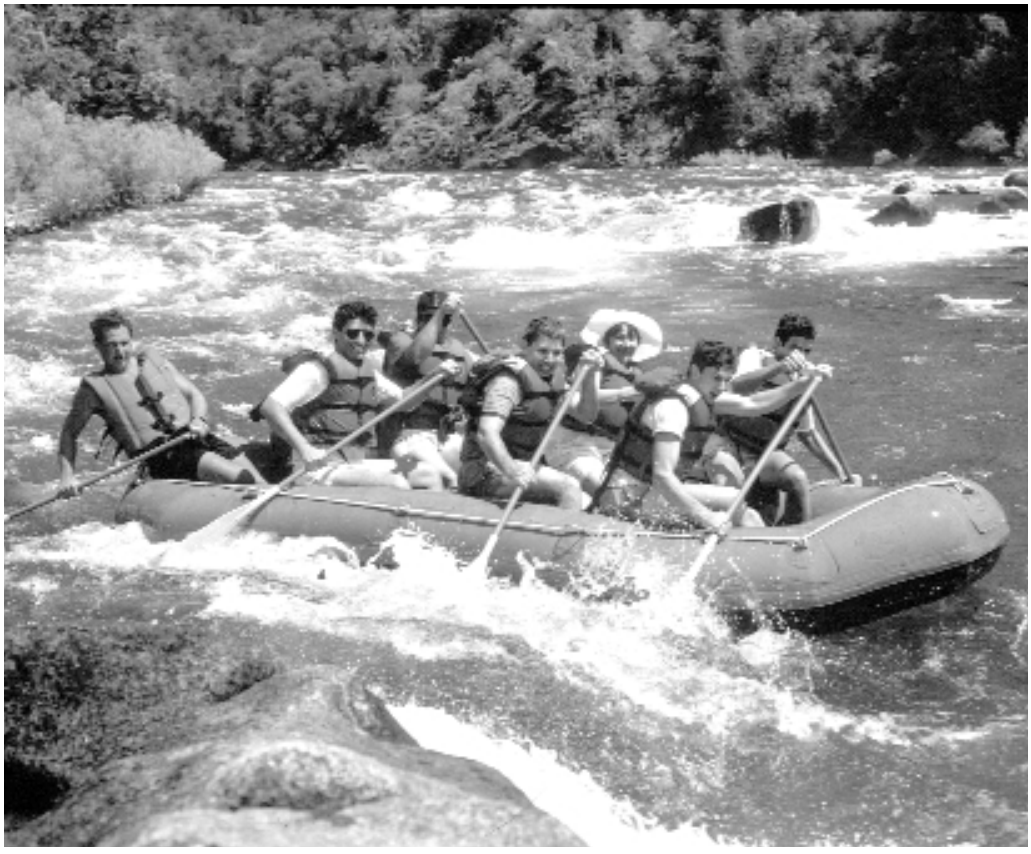
Forests are key to clean water. Maintaining supplies of clean water and protecting watersheds were major reasons why public domain forests and rangelands were reserved, starting in the late 19th and early 20th centuries. About 80 percent of the Nation's freshwater resources originate on forests, which cover about one-third of the Nation's land area. National forest lands contribute 14 percent of the total national runoff. The forested land absorbs rain, refills underground aquifers, cools and cleanses water, slows storm runoff, reduces flooding, sustains watershed stability and resilience, and provides critical habitat for fish and wildlife. In addition to these ecological services, forests provide abundant water-based recreation and other benefits that improve the quality of life. The calculated marginal value of water from all national forest lands is about $3.7 billion per year.

The importance of clean water cannot be overstated. As stewards of much of the Nation's water supply, the USDA Forest Service has a responsibility to ensure that water resources are plentiful, available, and of high quality. National forest activities, however, have affected water quality and productivity of the land. Problem watersheds and processes are often masked by the size of the landscape, or are noticeable only when flooding or other disturbances occur. Although most watersheds on national forests appear healthy on a large scale, extensive localized rehabilitation needs still exist on these lands. The agency is working hard to identify and restore degraded watersheds to productive conditions.

Disturbances in forest and grassland vegetation from drought, wind, fire, insects, and pathogens occur even in properly functioning ecosystems in watersheds. Some past management practices—such as fire exclusion, poor timber harvesting practices, and human development—have created watersheds that experience more frequent or intense fire disturbances than in the past. Many of these forests and grasslands are overcrowded with increased susceptibility to drought and insect and disease outbreaks. In addition, the construction of high-density and insufficiently maintained road networks poses severe problems and risks for forest resources, both as land disturbance and as access routes that concentrate human activities and pollution.

Healthy ecosystems are an essential part of healthy watersheds. Watershed restoration includes recovering natural timber and grass stands and fuels composition, decommissioning and obliterating noncritical road systems, and restoring and protecting riparian and wetland areas.

Solutions to watershed issues and restoration require working collectively and collaboratively across mixed ownerships within the watersheds. By working collaboratively with other Federal and State agencies, local communities, private landowners, and organizations, the USDA Forest Service can restore watersheds to healthy and sustainable conditions.



Impacts from Transfer of Funds To Fight Fires

In FY 2002, the United States experienced the most expensive fire season in history. More than 6.7 million acres burned, nearly double the 10-year average. Colorado, Arizona, and Oregon experienced their largest fires in the last century. To combat fires nationwide, the USDA Forest Service transferred approximately $1 billion from discretionary and mandatory accounts to help cover fire suppression costs. As a result of these transfers, projects at all levels of the organization were deferred. Impacts are as follows:

Program or Fund	Amount Transferred
Research and Development	$23 million
State and Private Forestry	$77 million
National Forest System	$155 million
Wildland Fire Management	$95 million
Capital Improvement and Maintenance	$157 million
Land Acquisition	$143 million
Working Capital Fund	$95 million
Permanent Appropriations and Trust Funds *	$269 million

*Permanent Appropriations and Trust Funds include Knutson-Vandenberg (K-V), Salvage Sale, Timber Purchaser Elect, Brush Disposal, and Recreation Fee Demonstration Project funds.

The effect of FY 2002 transfers to support fire suppression requirements cannot be easily and fully quantified. Although a number of programs were able to accomplish their FY 2002 goals, there are significant impacts that will continue to be manifested in FY 2003 and beyond. Examples of impacts, though not inclusive, are illustrative of how transfers will affect USDA Forest Service programs.

Where funding is replenished in FY 2003, an extremely heavy workload would occur as limited agency personnel would be tasked with trying to meet procedural requirements for developing and awarding grants, agreements, and contracts. It is probable that accomplishments could be delayed until FY 2004 or later. Additionally, the extra workload would also fall on our cooperators, including States, territories, tribes, and nongovernmental organizations. For example, research agreements have been deferred, jeopardizing relationships with partners and reducing research capacity; one result is that some critical insect control work has been deferred.

Another example of impacts of fund transfers will be observable through delays in the National Environmental Policy Act (NEPA) process. In many cases, project environmental documentation had to be postponed due to fund transfers. This will have a ripple effect, causing certain projects to be delayed or even cancelled, thus affecting longer-term programmatic efforts. Loss of planning dollars for certain programs will have serious consequences and may result in court actions because of nonperformance. Further, if funding is not repaid, it could affect the necessary gathering of data and inventory information for specific NEPA documents.

The examples of agency-wide impacts will continue to be visible. With over 20 percent of the agency's entire budget being transferred to support fire suppression costs, the on-the-ground effect is major and long term. It will be manifested in many programmatic efforts that are either delayed or foregone in FY 2003 and beyond.

Financial and Program Accountability

Financial and program accountability is essential for the USDA Forest Service to achieve its commitment to land stewardship and public service. The agency, through aggressive efforts, continues to improve accountability in both areas. As a result, Congress, USDA Forest Service managers, and other agency stakeholders can evaluate agency programs and activities through relevant, reliable, and accurate information, including budget, accounting, and program data. Through continued focus of fiscal resources, additional improvement can be achieved.

These efforts have included implementing activities to comply with the Federal Managers' Financial Integrity Act (FMFIA), Chief Financial Officers Act of 1990, Government Performance and Results Act (GPRA), and the Federal Financial Management Improvement Act (FFMIA). Since FY 2000, the USDA Forest Service has been using the Foundation Financial Information System (FFIS), a U.S. Standard General Ledger-based financial management system fully compliant with Federal financial requirements. A new field-based Budget Formulation and Execution System (BFES) was implemented in FY 2001.

Financial management policies, business practices, and systems have been further updated over the past year as a basis for sustained improvement of records for all agency accounts, including more than $4 billion of property managed by the USDA Forest Service. Reconciliation teams were formed to improve the data integrity within the agency's accounting system. Through implementation of BFES and FFIS, and adherence to GPRA, the agency is moving forward with development of integrated processes and systems that provide linkages among the formulation of budgets, the accomplishment of work on the ground, and the associated cost of the work.

The USDA Forest Service must continue to further improve business and accounting processes and systems, as well as capitalize on the strengths of the new systems. To sustain the major efforts of FY 2002, the agency must continue to ensure that employees are fully trained in the various aspects of financial management policy; information about agency financial operations is readily available using a variety of reporting tools; and critical financial management processes, policies, and procedures are current, in place, and operating. Computer-based financial system availability has been expanded and better meets agency requirements. Some older systems that continue to feed data to FFIS, however, often do not meet current requirements for Federal financial management and need to be replaced or eliminated. This effort, led by the USDA, will continue for several years and will require a significant amount of agency resources to complete.

Through the agency's partnership with USDA Offices of the Chief Financial Officer and Inspector General and a private accounting firm over the past several years, agency records supporting real property and Fund Balance with the Department of the Treasury have been greatly improved. Monetary values for real property were established throughout the agency in FY 2001. The monetary value for real property assets is now auditable and provides the information necessary for the management of these assets. The Fund Balance with Treasury was reconciled as of September 30, 2001, to the balances maintained by the Treasury. Based on this action and the significant improvements in the development of policies, procedures, and reconciliation processes during FY 2002, the reconciliation of the Fund Balance with Treasury is now sustainable and auditable.

A National Fire Plan database to track, monitor, and account for NFP spending was implemented and used by the USDA Forest Service and other wildland fire management agencies to support reporting of accomplishments and activities. Recording of commitments to enhance funds control was successfully piloted on national contracts called up to support national fire suppression resources.

Efforts in FY 2002 have created the framework for a number of new initiatives that are scheduled for implementation in FY 2003. These include:

- Implementing tools to generate financial and performance reports from Web-based accounting databases;
- Continuing refinement and generation of quarterly status of funds analyses that track USDA Forest Service spending;
- Developing financial statements on a quarterly basis to facilitate upward reporting processes;
- Continuing evaluation of information requirements to further reduce the volume of data maintained in the USDA Forest Service general ledger system;
- Reducing data elements, which will result in less data to track, starting with FY 2003 budget planning; and
- More efficient handling of the agency's indirect costs to increase system performance while maintaining accountability.